

Message Text

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TO USMISSION EC BRUSSELS

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FOLLOWING BONN 17452 ACTION SECSTATE INFO WARSAW
DUSSELDORF DEC 4TH.

QUOTE

LIMITED OFFICIAL USE BONN 17452

E.O. 11652: GDS

TAGS: ETRD, GW, US

SUBJECT: FRG TARIFF QUOTA ON COAL: REQUEST FOR
US REACTION TO CONTEMPLATED CHANGE

1. SUMMARY. DURING UPCOMING TRADE TALKS WITH POLAND,
THE FRG IS CONSIDERING EXTENDING TO POLAND "MFN"
TREATMENT UNDER THE FRG GLOBAL TARIFF QUOTA FOR HARD
COAL IMPORTS. CURRENTLY A BILATERALLY SET CEILING
LIMITS POLAND TO DELIVERIES OF 1.8 MILLION TONS UNDER
THE TARIFF QUOTA (ABOUT THE SAME LEVEL AS CURRENT
DELIVERIES FROM THE U.S.). THE ECONOMICS MINISTRY
HAS REQUESTED OUR REACTION. OUR PRELIMINARY REACTION
WAS THAT U.S. CONCERNS RELATE MORE TO THE TARIFF
QUOTA ITSELF. REQUEST DEPARTMENT GUIDANCE ON ANY
FURTHER U.S. REACTION. END SUMMARY.

2. OSTARHILD (ECONOMICS MINISTRY, COAL POLICY) ASKED
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AN EMBASSY OFFICER TO CALL DECEMBER 4 TO INFORM US

OF THE CONTEMPLATED CONCESSION TO POLAND. THROUGH THE CONTEMPLATED ELIMINATION OF THE BILATERAL CEILING FOR POLISH COAL IMPORTS, POLAND WOULD BE EXTENDED THE SAME TREATMENT UNDER THE GLOBAL 5 MILLION TON TARIFF QUOTA AS THE U.S. AND OTHER NON-EC COUNTRIES. OSTARHILD STATED THAT EXTENSION OF "MFN" TREATMENT TO POLISH COAL WOULD SEEM CONSISTENT WITH GATT PRINCIPLES AND SHOULD NOT AFFECT SIGNIFICANTLY SALES OF U.S. COAL, GIVEN THE LIMITS ON POLISH DELIVERY CAPABILITY AND THE UNUSED CURRENT LEEWAY OF 1 MILLION TONS UNDER THE TARIFF QUOTA.

3. IN OUR PRELIMINARY REACTION, EMBOFF SAID HE HAD NO PARTICULAR COMMENT ON THE GATT ASPECTS OF EXTENDING POLAND'S ACCESS TO THE TARIFF QUOTA OR ON OSTARHILD'S VIEW OF THE SHORT-TERM EFFECTS OF THIS ACTION ON U.S. COAL SALES IN THE FRG. WE RAISED A NUMBER OF QUESTIONS, HOWEVER, ON THE TARIFF QUOTA ITSELF.

A. IF THE INTENT IS TO DO SOMETHING FOR POLAND WITHOUT REDUCING OPPORTUNITIES FOR TRADITIONAL SUPPLIERS, WHY NOT RAISE THE GLOBAL QUOTA (WHICH CAN BE INCREASED UP TO 20 PERCENT BY EXECUTIVE ACTION) AT THE SAME TIME THAT POLAND IS GIVEN THE SAME TREATMENT AS OTHER THIRD COUNTRIES?

B. UNDER CURRENT CONDITIONS OF ENERGY SHORTAGE, IS THE FRG'S JUSTIFICATION FOR THE CURRENT QUOTA LEVEL STILL VALID (I.E. THE JUDGMENT THAT COAL IMPORTS BEYOND THIS LEVEL REPLACE NOT OIL, BUT DOMESTIC COAL)?

C. IF IMPORTED COAL PLAYS A ROLE IN LONG-TERM FRG ENERGY PLANS, IS THE FRG GIVING WESTERN PRODUCERS ANY SIGNALS AT ALL THAT THE FRG MARKET SHOULD BE CONSIDERED IN THEIR INVESTMENT PLANS; OR IS THE IMPRESSION RATHER ONE OF A DISAPPEARING MARKET WITH A TIGHT TARIFF QUOTA, REDUCED FROM 7 TO 5 MILLION TONS UPON UK EC ENTRY AND IN EFFECT FURTHER THROUGH PROGRESSIVE LIBERALIZATION OF IMPORTS FROM STATE TRADING COUNTRIES?

4. IN RESPONSE, OSTARHILD NOTED INDIRECTLY THAT LONG-TERM CONSIDERATIONS DID NOT SEEM TO BE THE MAIN LIMITED OFFICIAL USE

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ONES IN CURRENT FRG-POLISH NEGOTIATIONS. HE DID ALLOW THAT THE FRG NEEDED TO CONSIDER HOW IT COULD CORRECT THE IMPRESSION OF A NEARLY CLOSED MARKET WHICH IT WAS UNDOUBTEDLY PROJECTING TO WESTERN COAL SUPPLIERS. HE DOUBTED, HOWEVER, THAT SIGNIFICANT LIBERALIZATION OF THE TARIFF QUOTA WOULD BE UNDERTAKEN UNTIL THE CURRENT TARIFF QUOTA LAW RUNS OUT IN 1976.

5. COMMENT: THE EMBASSY DOES NOT ACCEPT OSTARHILD'S
JUDGMENT ON THE IMMUTABILITY OF THE TARIFF
QUOTA LEVEL. AN EXTENDED CUTBACK IN ARAB OIL DELIVERIES
TO THE FRG WILL LEAD TO A RUN-DOWN OF THE FRG'S MODEST
HARD COAL STOCKS AND, AT SOME POINT, PRESSURE ON THE
GOVERNMENT FROM THOSE FORCED TO USE COAL TO DO
EVERYTHING POSSIBLE TO ASSURE CONTINUING SUPPLY.
HILLENBRAND
UNQUOTE KISSINGER

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